GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:958
ANSWERED ON:29.07.2005
REFORMS IN POWER SECTOR
Badiga Shri Ramakrishna;Kharventhan Shri Salarapatty Kuppusamy;Ponnuswamy Shri E.;Reddy Shri Mekapati Rajamohan;Scindia Shri Jyotiraditya Madhavrao;Singh Shri Dushyant

Will the Minister of POWER be pleased to state:

(a) whether the Government proposes to introduce drastic power reforms by unbundling the electricity boards;

(b) if so, the details thereof;

(c) whether the Government proposes to cut free supply of electricity of certain categories of people;

(d) if so, the details thereof;

(e) if not, the reasons therefor; and

(f) the other measures proposed to be taken to increase power generation and ensure a competitive and healthy environment?

Answer

THE MINISTER OF POWER(SHRI P.M. SAYEED)

(a) & (b) : Section 172 (a) of the Electricity Act, 2003 provides that the State Government may, by notification, authorize the State Electricity Board (SEB) to continue to function as the State Transmission Utility or a licensee for such further period beyond the period of one year of the provisions of the Act coming into force, as may be mutually decided by the Central Government and the State Government.

A number of State Governments had restructured their SEBs under their State reforms Acts before the enactment of the Electricity Act, 2003. Nine States are yet to reorganize their SEBs. These States have, from time to time, sent proposals to the Central Government for extension of time for the reorganization of their respective SEBs. Besides this Assam and Madhya Pradesh has also requested for continuation of their SEBs only for trading purpose. The Central Government has agreed to extension of time considering the request of the concerned State Governments.

(c) to (e) : The Electricity Act, 2003 provides that the tariff for retail sale of electricity is to be determined by the State Electricity Regulatory Commissions. According to Section 65 of the Act the State Government may require the grant of any subsidy to any consumer or class of consumers in the tariff determined by the State Electricity Regulatory Commissions (SERCs) and in that case the State Government shall pay to the concerned utility/licensees the full amount required to compensate the grant of subsidy. Thus, the matter of providing subsidy in tariff to a class of consumers is exclusively in the domain of the State Government.

(f) : Public sector investment in power generation has been stepped up. The National Electricity Policy states that power being most crucial infrastructure public sector investments will have to be stepped up both at the level of Central Government and State Governments. Considering the magnitude of the expansion of the sector required the sizeable part of the investments will also need to be brought in from the private sector.

The Electricity Act, 2003 creates a liberal framework for development of the electricity industry, promoting competition therein, protecting interest of consumers and supply of electricity to all areas, rationalization of electricity tariff, ensuring transparent policies regarding subsidies, constitution of Regulatory Commissions and establishment of Appellate Tribunal. The Act has reduced entry barriers in different segments of power supply industry.

Generation has been delicensed. The Act provides for non-discriminatory open access in transmission from the very outset. Captive plants including group captives have been freely permitted.

Section 63 of the Electricity Act, 2003 provides that the Appropriate Commission shall adopt the tariff if such tariff has been determined through transparent process of bidding in accordance with the guidelines issued by the Central Government. Central Government has issued the guidelines for competitive bidding for determination of tariff for procurement of power by distribution licensees. It is expected to encourage competition in generation.